

Message Text

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13

ACTION EA-14

INFO OCT-01 ADP-00 AGR-20 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-09 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 SAL-01 OMB-01 NSC-10 SS-14

STR-08 CEA-02 DODE-00 PA-03 USIA-12 PRS-01 RSR-01

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R 230415 Z MAR 73

FM AMEMBASSY WELLINGTON
TO SECSTATE WASHDC 6426
INFO AMEMBASSY CANBERRA

UNCLAS WELLINGTON 727

E. O. 11652: N/ A
TAGS: ETRD, NZ
SUBJECT: GNZ INTRODUCES LIMITED PRICE FREEZE

1. BEGIN SUMMARY. GNZ HAS FROZEN DOMESTIC PRICES ON FISH AND SHEEP MEAT AND ANNOUNCED PLANS FOR FURTHER PRICE CONTROLS. END SUMMARY.

2. GNZ ANNOUNCED MARCH 22 ITS MOVES TO COMBAT CURRENT PRICE INFLATION. EFFECTIVE IMMEDIATELY ARE FOLLOWING:

(A) MUTTON, LAMB, AND FISH PRICES ARE FROZEN AND WILL REMAIN SO FOR NEXT WEEK OR TEN DAYS UNTIL NEW PRICES CAN BE FIXED (B) WHEN ABOVE FREEZE IS LIFTED, ALL SHEEP MEAT PRICES WILL BE REDUCED BY TWO CENTS A POUND AND HELD AT THAT LEVEL WITH A GNZ SUBSIDY TO WHOLESALERS; (C) FIXED MINIMUM RETAIL PRICE WILL BE MARKED ON CERTAIN MANUFACTURED AND PROCESSED ITEMS, ESSENTIALLY FOODSTUFFS, FOOTWEAR, AND CLOTHING; (D) APPLES AND PEARS WILL BE BROUGHT UNDER FULL PRICE CONTROL; (E) AUCTION SYSTEM FOR FRUIT AND VEGETABLES WILL BE ALTERED TO ELIMINATE SUBSIDIARY OR COMMISSION BUYERS FROM ESTABLISHING INFLATED FLOOR PRICES.

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2. IN MAKING ANNOUNCEMENT MINISTER OF TRADE AND INDUSTRY
FREER NOTED GNZ IS ATTEMPTING TO HOLD PRICES AT PRESENT
LEVEL AND WORK TOWARDS LOWERING SOME PRICES. BEEF AND PORK
PRICES WERE NOT AFFECTED BECAUSE OF QUOTE PROBLEMS
UNQUOTE WITHIN THOSE INDUSTRIES. FREER ADDED THAT GNZ
ACTION TO LIMIT OPPORTUNITY FOR EMPLOYERS TO PASS ALL
WAGE AND RELEVANT COSTS INTO THEIR GENERAL COST STRUCTURE
IS STILL UNDER REVIEW. HE ALSO NOTED THAT ADDITIONAL
MOVES WILL BE MADE TO STRENGTHEN CONSUMER INSTITUTE AS
A CONSUMER COMPLAINT SERVICE AND THAT GNZ INTENDS TO
OVERHAUL LEGISLATION ON DECEPTIVE PACKAGING AND MISLEADING
ADVERTISEMENT.

3. FREER ACKNOWLEDGED THAT CURRENT ACTIONS ARE UNLIKELY
TO FULLY SATISFY CONSUMERS BUT FIT IN WITH PREVIOUS MOVES TO
STABILIZE PRICES.

4. THERE HAS BEEN LITTLE REACTION FROM FEDERATED
FARMERS ON THE SHEEP MEAT PRICE FREEZE. FARMERS HAD
STRONGLY OBJECTED TO ANY MOVE BY THE GOVERNMENT TO
REDUCE MEAT PRICES BY PLACING A LEVY ON MEAT EXPORTS.
HOWEVER, THEY FEEL THAT THE CURRENT TEMPORARY FREEZE
AND TWO CENTS PER POUND REDUCTION AT THE WHOLESALE
LEVEL WILL HAVE LITTLE OR NO EFFECT ON THE PRICES
FARMERS RECEIVE FOR SHEEP MEATS. OTHER REACTIONS HAVE
BEEN PREDICTABLE WITH MANUFACTURERS CALLING FOR EFFECTIVE
WAGE CONTROLS TO RELIEVE PRESSURES ON THEM, AND
WITH CONSUMER GROUPS CLAIMING GNZ MOVES ARE NOT
EXTENSIVE ENOUGH TO PROTECT LOWER INCOME GROUPS.
FOL LEADERS CLAIM THEY WERE NOT CONSULTED BY GNZ ON
THESE MOVES BUT ARE SATISFIED GNZ HAS NO INTENTION
OF IMPOSING WAGE FREEZE.

5. COMMENT. IT IS CLEAR THIS IS ONLY FIRST STAGE
OF GOVERNMENT'S PLANS TO CONTROL PRICES AND THAT WAGE
RESTRAINT MEASURE MAY BE INCLUDED IN LATER ANNOUNCEMENTS.
PRESSURE FOR CONTROLS HAS BEEN HEIGHTENED BY GROWING FEAR OF
RETURN TO RAPID INFLATION. FOUR PER CENT RISE IN FOOD PRICE INDEX
IN JANUARY/ FEBRUARY, CONTRASTED WITH 3.2 PERCENT RISE IN ALL
1972, WAS PORTENT. TEXT OF ANNOUNCEMENT BEING POUCHED.
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